

Mortgage Banker

MAY 1980

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IN
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BANKING

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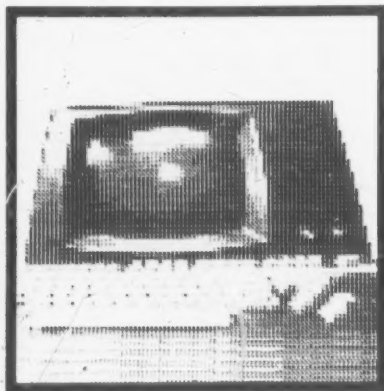
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Mortgage Market Trends

Prepared by MBA's Economics Department

April 18, 1980

With the general economy slipping into recession, a number of sectors—most notably housing—have already begun a rapid downward slide. The recently released housing starts data for March showed a 21.8 percent drop from the previous month. The seasonally adjusted annual rate of 1.04 million units was the lowest rate recorded in nearly five years and represents the second-largest monthly decline on record. Building permits, a forerunner of future activity, also dropped sharply, leading to the conclusion that the slump will continue to worsen.

As a result, it seems reasonable to expect housing starts to fall below the one million unit level of annualized activity in 1980's second quarter. However, as we move through the latter half of the year, the situation should begin to ease slightly. Thus, we may expect to see housing starts in the neighborhood of 1.1 to 1.2 million units for the year, depending on the fate of the Administration-backed proposal to subsidize mortgage loans through a modified FHA Section 235 program.

With the economy perceptibly losing steam, long-term interest rates should begin a gradual decline, although not at the same pace as the retreat of short-term rates. Thus, mortgage interest rates should return to the 12 to 13 percent range by year-end as a result of sagging demand.

House sales should fall to the same depths as house construction this year. In fact, sales of both new and existing housing may be off 30 to 35 percent from last year's volumes. Resourceful buyers and sellers alike are finding ways to accomplish their sales transactions. Assumptions, seconds, wrap-arounds, and any number of variations of the sales transaction are proliferating to facilitate the continuance of house sales activity this year.

In line with the general weakening in the housing market, 1980 is likely to see the nation's average house price held to a 10 percent increase, compared with the 15 percent increase experienced last year. But, while the increase in house prices may be held to 10 percent this year, it is reasonable to expect rampant price increases to return to the housing market within a year or so when a stronger economy brings the return of the effective purchasing power of a burgeoning population.

Reflecting both the slowdown in sales volume and the moderation in price increases, loan origination volumes should be off between 30 and 40 percent this year. However, mortgage bankers' declining volumes are likely to reflect the low end of this range as their diversity of loan sources will actually allow them to expand their share of origination volumes relative to other major lenders. Consequently, mortgage companies should expect a 25 to 35 percent drop in their one-to-four-unit originations.

Frances E. Wrocklage, Senior Economist

MORTGAGE MARKET TRENDS—MAY 1980

RESIDENTIAL STRUCTURES, BY UNIT TYPE (Units in thousands)												VALUE OF NEW CON- STRUCTION PUT IN PLACE (Dollars in millions)				HOUSE SALES (Units in thousands)				
Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS						Seasonally Adjusted Annual Rate				EXISTING HOUSES ¹	NEW HOUSES		
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate								Sold	Avail- able For Sale	Months Supply at Current Rate
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1 Unit	2+ Units	Non- Res.				
1978	104	71	33	1,664	1,285	379	120	89	31	2,052	1,616	436	120,739	66,243	14,251	40,245	233	51	423	8.3
DEC																				
1979	81	56	25	1,324	959	365	88	64	24	1,727	1,296	431	112,999	61,407	13,208	38,384	243	53	411	7.8
JAN	84	57	27	1,321	878	443	84	64	20	1,469	1,090	379	115,191	62,308	14,663	38,220	261	58	399	5.1
FEB	141	103	38	1,531	1,103	428	153	120	33	1,800	1,394	406	119,211	61,376	14,967	42,368	334	73	416	5.7
MAR	139	106	33	1,437	1,082	355	161	131	30	1,750	1,386	364	118,621	59,868	16,108	42,645	333	72	417	5.7
APR	162	111	41	1,618	1,163	455	189	144	45	1,801	1,349	452	120,904	59,735	15,932	45,248	371	69	426	6.2
MAY	156	112	44	1,639	1,144	495	193	147	46	1,910	1,399	511	124,452	60,363	17,300	46,789	344	64	420	6.6
JUN	138	104	34	1,528	1,136	392	164	130	34	1,764	1,352	412	125,507	60,554	17,196	47,757	343	66	421	6.3
JUL	152	111	41	1,654	1,181	473	172	133	39	1,788	1,389	399	125,398	60,522	17,775	47,101	377	69	419	6.1
AUG	140	90	50	1,775	1,166	609	164	117	47	1,874	1,360	514	125,801	60,352	18,726	46,723	314	62	414	6.7
SEP	141	96	45	1,542	1,064	478	169	122	47	1,710	1,268	442	127,858	60,158	18,167	49,533	329	55	416	7.6
OCT	98	64	34	1,263	850	413	119	82	37	1,522	1,094	428	127,499	58,752	19,081	49,666	255	41	409	10.0
NOV	81	52	29	1,244	899	345	92	65	27	1,548	1,165	383	131,138	58,064	20,744	52,300	197	34	403	11.8
DEC																				
1980	75	52	23	1,264	882	382	73	56	17	1,419	1,129	290	133,099	56,790	20,953	55,356	209	43	393	9.2
JAN	76	54	22	1,142	801	341	80	55	25	1,332	889	443	129,792p	54,231p	21,614p	53,937p	220	42p	384p	9.0p
FEB	83p	57p	26p	941p	631p	310p	85p	59p	26p	1,041p	699p	345p	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MAR																				
12 months	1,513	1,072	441				1,748	1,319	429								3,701	714		
1979	1,800	1,313	487				2,020	1,558	462								3,863	817		
1978	1,689	1,246	443				1,988	1,574	414								3,547	820		
1977	1,280	980	300				1,538	1,250	288								3,002	647		
1976																				

RESIDENTIAL STRUCTURES, BY REGION																CONSTRUCTION STATUS						
(units in thousands)																(units in thousands)						
Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS								UNDER CONSTRUCTION			COMPLETIONS		
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate									
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1978	13	16	39	36	198	327	612	527	14	19	47	39	236	436	773	607	1,310	848	462	170	146	34
DEC																						
1979	10	8	35	29	189	198	500	437	8	7	45	28	257	258	782	430	1,270	813	457	129	100	29
JAN	6	10	37	31	140	229	506	446	6	7	42	29	180	213	647	429	1,223	776	447	126	97	29
FEB	12	25	62	42	143	294	646	448	12	26	75	40	190	368	780	462	1,216	777	439	149	113	36
MAR	14	31	51	43	142	297	543	455	15	34	65	47	171	356	692	531	1,228	793	435	142	111	31
APR	18	37	60	48	181	328	616	493	18	50	72	51	173	396	734	499	1,259	831	438	156	113	43
MAY	18	34	59	45	199	332	636	472	19	24	79	51	178	371	862	498	1,283	837	446	166	130	36
JUN	15	27	51	45	161	281	585	501	18	36	68	43	174	356	762	472	1,300	852	448	151	116	35
JUL	15	30	50	47	147	310	664	533	20	39	74	40	176	388	770	454	1,301	860	441	159	123	36
AUG	19	29	54	39	217	337	704	517	13	39	67	46	164	392	765	553	1,283	850	433	181	125	36
SEP	14	28	59	38	151	271	673	447	21	35	73	40	172	317	765	456	1,274	837	437	174	135	39
OCT	13	16	42	27	152	191	557	363	19	20	53	27	170	249	716	387	1,226	794	432	165	121	44
NOV	10	12	34	25	144	224	517	359	10	15	40	27	156	326	667	389	1,140	717	423	174	139	35
DEC																						
1980	5	8	39	23	116	221	577	350	6	6	40	22	194	213	673	339	1,088	678	410	125	94	31
JAN	5	8	39	24	125	178	524	315	2	8	47	23	67	228	703	334	1,050p	650p	400p	121p	86p	35p
FEB	10p	11p	39p	22p	125p	132p	430p	253p	7p	12p	45p	21p	104p	185p	507p	245p	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MAR																						
12 months	164	287	603	459					179	312	773	469								1,872	1,423	449
1979	194	388	668	550					200	451	824	545								1,868	1,486	382
1978	182	403	562	546					201	464	783	538								1,504	1,200	304
1977	150	317	400	412					170	401	569	400								1,245	1,004	241
1976																						

INTEREST RATES AND YIELDS																	
Year and Month	1-4 UNIT MORTGAGES						APARTMENTS ¹	CONSTRUCTION LOANS ² ALL TYPES	FNMA		GNMA Current Securities Yield	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey					FMS Auction Yields on 4 mo Commitments ³ FHA VA Conv	U.S. Gov't 10-yr 26-wk 90-119 Days		Prime Commercial Paper	FHA New Minus Aaa Utility	GNMA Minus 10-yr Gov't			
	FHA New ⁴	Conventional		Conventional													
		New	Existing	New	Existing												
1978																	
NOV	9.99	10.10	10.15	9.86	9.97	9.750-10.125	11.55	10.293	10.560	9.43	9.27	8.81	9.204	10.14	72	62	
DEC	10.16	10.30	10.30	10.02	10.08	9.875-10.125		10.508	10.825	9.61	9.28	9.01	9.397	10.37	88	60	
1979																	
JAN	10.17	10.30	10.30	10.18	10.33	10.125-10.250		10.693	11.060	9.70	9.54	9.10	9.501	10.25	63	60	
FEB	10.17	10.35	10.35	10.18	10.36	10.125-10.250	11.79	10.506	11.040	9.68	9.53	9.10	9.349	9.95	64	60	
MAR	10.19	10.35	10.40	10.32	10.47	10.125-10.375		10.423	10.932	9.73	9.62	9.12	9.458	9.90	57	61	
APR	n.a.	10.55	10.55	10.34	10.54	10.125-10.375		10.645	11.035	9.86	9.70	9.18	9.490	9.85	n.a.	68	
MAY	10.61	10.80	10.80	10.47	10.60	10.250-10.500	12.23	10.847	11.357	10.02	9.83	9.23	9.531	9.94	78	79	
JUN	10.49	10.90	10.90	10.66	10.71	10.250-10.625		10.773	11.560	9.81	9.50	8.91	9.062	9.76	99	90	
JUL	10.46	10.95	11.00	10.78	10.93	10.250-10.625		10.652	11.521	9.81	9.59	8.95	9.236	9.87	87	86	
AUG	10.58	11.10	11.25	11.01	11.14	10.375-10.625	12.52	10.671	11.517	9.97	9.48	8.99	9.425	10.27	110	98	
SEP	11.27	11.35	11.35	11.02	11.20	10.625-10.875		11.091	11.741	10.40	9.83	9.33	10.203	11.63	154	107	
OCT	n.a.	12.15	12.20	11.18	11.30	11.250-11.500		12.497	12.865	11.30	10.97	10.30	11.660	13.23	n.a.	100	
NOV	12.41	12.50	12.50	11.37	11.52	11.500-12.000	15.56	12.797	13.794	11.58	11.42	10.65	11.856	13.57	99	93	
DEC	12.24	12.50	12.50	11.64	11.89	11.875-12.000		12.485	12.981	11.56	11.25	10.39	11.847	13.24	99	117	
1980																	
JAN	12.60	12.80	12.80	11.87	12.10	11.875-12.250		12.930	13.188	11.96	11.73	10.80	11.851	13.04	87	116	
FEB	n.a.	14.10	14.10	11.93	12.62	13.000-14.000	n.a.	14.589	14.124	13.02	13.57	12.41	12.721	13.78	n.a.	61	

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nontresidential				
	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.
1978																				
SEP	17,586	4,080	6,165	6,385	956	13,778	3,510	5,867	4,352	49	662	100	182	278	102	3,146	470	116	1,755	805
OCT	18,238	4,670	6,205	6,273	1,080	13,902	3,850	5,860	4,129	63	694	70	217	223	184	3,642	750	128	1,921	843
NOV	18,204	4,280	5,895	6,837	1,192	13,844	3,720	5,582	4,442	100	769	170	193	266	140	3,591	390	120	2,129	952
DEC	19,905	5,670	5,269	6,567	2,399	13,371	3,700	4,913	4,440	228	1,104	200	204	365	335	5,430	1,680	152	1,762	1,836
1979																				
JAN	14,599	4,080	4,080	5,740	699	11,016	3,640	3,779	3,530	67	677	120	182	278	97	2,906	320	119	1,932	535
FEB	12,072	3,560	3,419	4,245	848	8,901	2,840	3,181	2,797	83	522	50	141	184	147	2,649	670	97	1,264	618
MAR	14,051	3,340	4,716	4,818	1,157	10,729	2,890	4,433	3,322	84	709	150	167	286	106	2,593	300	116	1,210	967
APR	15,061	3,810	5,386	4,892	973	11,699	3,040	5,115	3,400	144	873	350	165	238	120	2,489	420	106	1,254	709
MAY	17,183	3,910	6,671	5,616	986	13,819	3,396	6,316	4,050	57	867	65	231	213	58	2,797	449	124	1,353	871
JUN	19,899	4,263	7,209	7,120	1,307	16,005	3,754	6,848	5,246	107	879	199	208	225	247	3,065	310	153	1,649	953
JUL	19,368	4,852	6,111	7,169	1,236	15,412	4,238	5,813	5,237	126	771	232	177	269	93	3,185	382	123	1,663	1,017
AUG	20,300	5,735	6,587	6,661	1,217	16,625	5,066	6,304	5,041	214	787	144	156	338	149	2,808	525	127	1,282	874
SEP	18,188	5,532	5,507	5,706	1,443	14,088	4,681	5,191	3,978	238	847	331	180	265	171	3,153	520	136	1,463	1,034
OCT	20,011	5,554	6,223	6,729	1,505	16,009	5,026	5,916	4,847	220	583	56	184	192	151	3,419	472	123	1,680	1,134
NOV	17,252	4,678	4,968	6,175	1,431	13,107	3,873	4,724	4,260	250	613	138	130	223	122	3,532	667	114	1,692	1,059
DEC	14,318p	4,535p	3,304p	5,018p	1,461p	10,417p	3,540p	3,112p	3,338p	427p	593p	126p	75p	251p	141p	3,308p	869p	117p	1,429p	893p

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg Bankers	S&Ls	Banks*	Life Cos.
1978										
AUG	74,650	17,060	22,047	12,432	23,111	17,618	3,810	8,924	3,251	1,633
SEP	74,316	16,170	21,648	13,293	23,205	17,568	4,280	8,163	3,421	1,710
OCT	75,247	16,570	21,503	13,545	23,629	19,065	5,450	8,594	3,081	1,940
NOV	74,594	17,270	20,738	12,393	24,193	17,272	4,300	7,813	3,089	2,150
DEC	72,426	17,300	18,911	12,029	24,186	16,155	4,830	6,167	2,475	2,683
1979										
JAN	71,434	17,320	18,053	11,271	24,790	13,865	4,050	5,478	2,262	1,975
FEB	72,130	16,490	19,038	14,637	24,965	13,580	3,630	6,076	2,234	1,640
MAR	75,593	17,430	21,085	11,549	25,529	17,520	3,900	8,713	2,525	2,382
APR	76,264	18,860	22,923	12,169	26,312	19,030	4,020	9,493	3,257	2,260
MAY	80,544	15,855	23,569	13,127	27,993	21,926	4,630	10,387	3,745	3,164
JUN	79,826	14,831	22,777	13,139	29,079	19,527	3,823	9,003	3,795	2,906
JUL	81,240	16,291	22,366	12,899	29,684	18,343	4,464	8,167	3,215	2,497
AUG	85,197	19,317	22,282	13,329	30,269	21,140	6,608	8,852	3,305	2,375
SEP	87,063	21,553	22,397	12,027	31,086	18,098	5,204	7,740	2,489	2,676
OCT	80,082	16,335	20,930	11,575	31,242	18,010	4,858	7,992	2,889	2,271
NOV	75,796	15,875	18,029	11,346	30,546	22,819	3,967	4,741	2,416	1,695
DEC	69,706p	14,217p	16,007p	10,556p	28,926p	22,209p	3,154p	3,248p	1,912p	895p

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS				INSURED							
					Total				FHA (203)			
	Total	VA	Private		Units	Amount	Units	Amount	Units	Amount	Units	Amount
1978												
AUG	169	96	73		129	4,935	23	761	33	1,319	73	2,855
SEP	138	73	65		102	3,949	18	584	22	881	62	2,484
OCT	188	122	66		131	4,931	40	1,279	28	1,179	63	2,473
NOV	152	94	58		121	4,802	17	574	27	1,116	77	2,412
DEC	121	72	49		93	3,085	11	388	28	1,177	54	2,140
1979												
JAN	118	79	39		109	4,193	29	963	33	1,419	47	2,011
FEB	114	74	40		93	3,861	27	936	31	1,367	35	1,558
MAR	157	102	55		98	4,023	25	855	42	1,415	41	1,753
APR	169	106	63		90	3,741	19	665	24	1,075	47	2,001
MAY	185	116	69		102	4,246	23	806	24	1,082	55	2,358
JUN	166	103	63		103	4,138	24	846	24	1,096	55	2,396
JUL	170	112	58		117	4,996	29	1,058	31	1,423	57	2,515
AUG	177	118	59		116	5,042	25	912	35	1,695	56	2,435
SEP	150	100	50		104	4,646	20	744	39	1,910	45	1,992
OCT	155	98	57		104	4,580	29	1,092	22	1,100	53	2,308
NOV	116	76	40		102	4,493	27	1,034	29	1,391	46	2,098
DEC	79	50	29		91	4,117	20	769	31	1,531	40	1,817

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

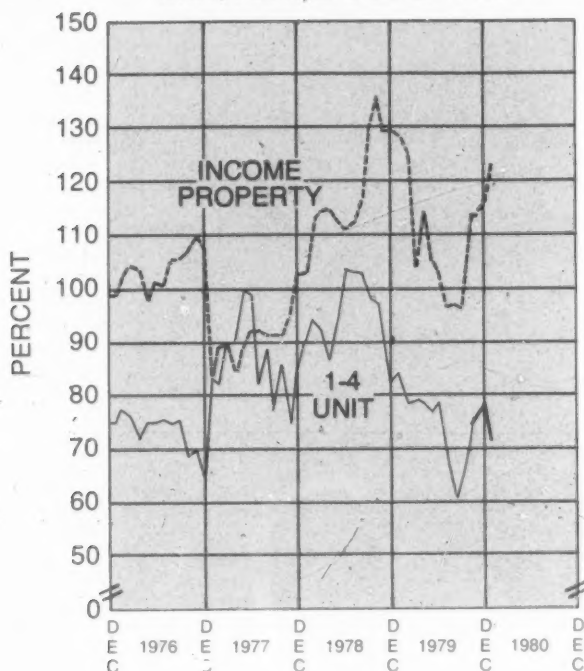
Year and Month	FNMA				FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby			Pass-Through Securities	
	FHA VA Bid	VA Accept	Conventional Bid	Accept	Comm	Pure	Sold	Applications	Issued
1978									
NOV	788	322	861	387	507	582	765	581	2,869
DEC	627	320	417	221	319	290	598	340	3,295
1979									
JAN	305	155	114	58	132	327	498	321	2,925
FEB	211	161	63	45	89	295	401	291	2,392
MAR	508	284	145	114	71	427	350	116	2,680
APR	1,323	638	662	364	51	492	358	363	5,907
MAY	426	185	459	214	503	601	560	572	3,009
JUN	220	100	358	195	277	462	447	182	3,621
JUL	133	70	94	70	160	517	518	320	6,211
AUG	162	83	246	184	184	581	636	354	5,105
SEP	1,421	690	527	326	343	437	537	347	4,012
OCT	2,943	1,130	1,050	431	828	504	552	531	6,509
NOV	558	265	366	190	0	221	458	186	7,410
DEC	649	249	413	152	0	199	403	211	3,539
1980									
JAN	516	232	443	242	26	296	279	180	4,265
FEB	1,169	564	412	148	225	197	248	207	2,178

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

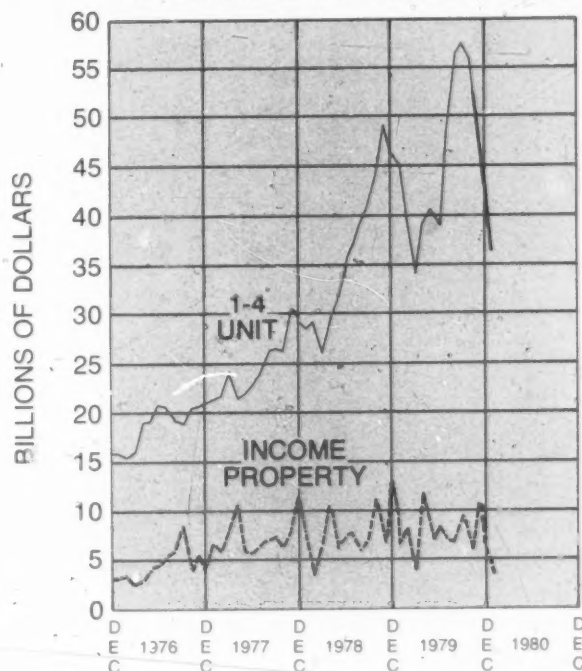
(Dollars in Millions)

DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS				
Year and Month	Construction				Land Loans	Total	1-4 Units	5+ Units	Non-res.
	Total	1-4 Units	5+ Units	Non-res.					
1978									
NOV	570	260	120	190	40	4,150	1,520	1,110	1,520
DEC	620	270	180	170	40	4,190	1,550	1,130	1,510
1979									
JAN	550	250	100	200	50	4,400	1,700	1,140	1,560
FEB	420	230	80	110	30	4,130	1,640	960	1,530
MAR	470	280	80	110	40	4,620	1,700	1,150	1,770
APR	570	300	120	150	50	4,250	1,610	1,230	1,410
MAY	560	330	100	130	60	3,910	1,820	740	1,350
JUN	700	450	110	140	50	4,460	2,060	1,120	1,280
JUL	594	312	121	161	59	4,010	1,870	870	1,270
AUG	734	339	151	244	81	4,553	2,072	1,069	1,412
SEP	723	312	86	325	152	4,897	2,101	679	2,117
OCT	784	307	106	371	45	4,487	1,636	1,224	1,627
NOV	640	248	144	248	44	4,632	1,608	1,344	1,680
DEC	647	240	113	294	46	4,141	1,543	937	1,661
1980									
JAN	603p	233p	100p	270p	26p	4,581p	1,644p	1,249p	1,688p
FEB	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

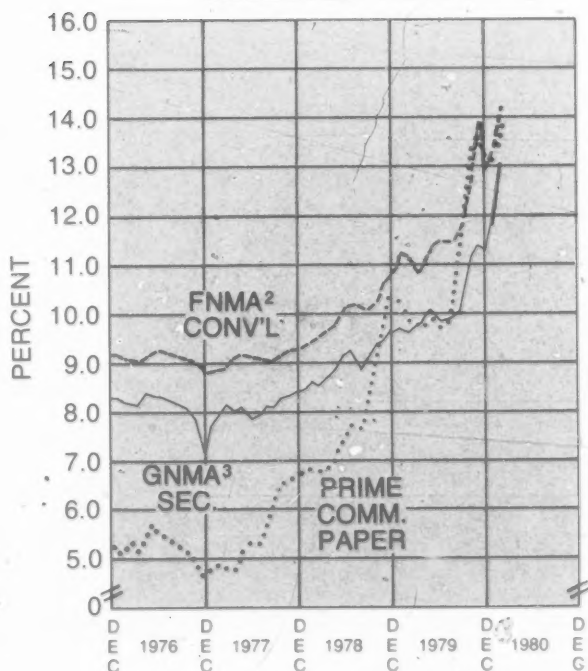
MORTGAGE BANKERS' LONG-TERM MORTGAGE COVERAGE¹



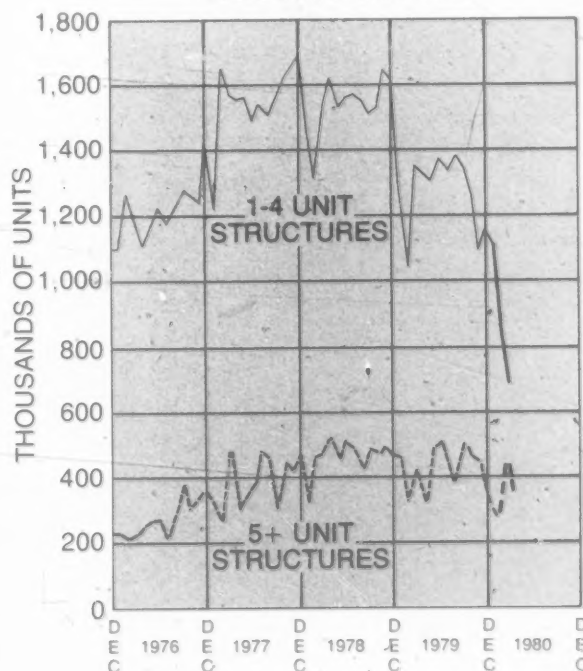
MORTGAGE BANKERS' LONG-TERM MORTGAGE LOANS CLOSED⁴



SELECTED YIELDS



HOUSING STARTS⁴



FOOTNOTES

1. OUTSTANDING LONG-TERM COMMITMENTS RECEIVED FROM INVESTORS DIVIDED BY THE SUM OF OUTSTANDING END OF MONTH INVENTORY AND OUTSTANDING LONG-TERM COMMITMENTS ISSUED TO BORROWERS. MULTIPLIED BY 100.

2. WEIGHTED AVERAGE GROSS YIELDS FOR ACCEPTED BIDS OF ALL FNMA FREE MARKET AUCTIONS DURING THAT MONTH.

3. SURVEY OF THREE NEW YORK SECURITY DEALERS. SECURITIES FOR IMMEDIATE DELIVERY.

4. SEASONALLY ADJUSTED ANNUAL RATES.

SOURCES: BUREAU OF THE CENSUS, FEDERAL NATIONAL MORTGAGE ASSOCIATION, FEDERAL RESERVE BOARD, MORTGAGE BANKERS ASSOCIATION.

MBA—ECONOMICS DEPARTMENT